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INTERNAL USE ONLY

4 May 1970

MEMORANDUM FOR THE RECORD

SUBJECT: CIA Retirement Fund

1. Mr. Robert B. Hull, Department of State, called to discuss funding problems associated with our respective retirement systems. The following points emerged:

a. BOB is insisting that State come up with a proposal to fund "normal cost deficiency" - this despite the recent enactment for the Foreign Service system of legislation resolving the funding problem following the pattern recently adopted for the Civil Service Retirement Fund.

b. Mr. William Macomber, Deputy Under Secretary for Administration, State Department, will be dealing with Roger Jones, BOB, on the matter. Vic Zaffra, BOB, is also involved.

c. State's first choice would be to merge the Foreign Service with the Civil Service Retirement Fund, but without losing administrative authority over the retirement system. This concept was introduced in a previous Congress in bill form.

d. State's second choice would be supplemental appropriations to the fund to assure that fund assets exceed benefit payments by a ratio of 3 to 1 (concept established in H.R. 15980 for the D.C. Teachers' Retirement System).

e. Because of the similarities of the funding problems faced by our respective systems, it would be well to coordinate our efforts with BOB, but at this time the Agency probably

would not be interested in merging its fund with the Civil Service Fund (assuming that our congressional committees would approve). Hull said he would keep us informed of developments.

f. I reviewed for Hull our discussions with BOB concerning the status of our fund and that, while the decision had not been made yet, we probably would recommend legislation substantially similar to that approved for the Foreign Service system last year and defer our recommendations on the extent to which we should meet normal cost deficiency through supplemental appropriations until 1974 based on the results of our second 5-year actuarial study.

2. The financial status of the Foreign Service Retirement Fund has been a subject of strong differing opinions between State and BOB in the past. This may be coloring, if not precipitating, the current series of discussion.

25X1A

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Assistant Legislative Counsel

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OLC/LLM:sml (6 May 70)

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**SAMPLE COMPUTATIONS OF EFFECT OF NON-DEDUCTION SERVICE  
BETWEEN CIARDS AND CIVIL SERVICE SYSTEMS  
(2 yrs non-deduction service - owes \$1,000)**

	25X1A	CIA SYSTEM		CS SYSTEM	
		<u>Paid</u>	<u>Not Paid</u>	<u>Paid</u>	<u>Not Paid</u>
High-three salary:				\$15,000	\$15,000
Service:				25 yrs	25 yrs
Basic Annuity:				\$6,938	\$6,838
Reduced Annuity:				\$6,514	\$6,424
Survivor Benefit:				\$3,816	\$3,756

**SAMPLES OF TYPES OF NON-DEDUCTION SERVICE:**

- (a) Predecessor Agency service (OSS, SSU, CIG) not covered by deductions
- (b) Contract time without deduction adjudicated as creditable for retirement purposes
- (c) Civilian service for the Federal government performed prior to 24 January 1942 when the 77th Congress (56 Stat. 13) increased coverage to certain categories of employees not previously under the Civil Service Retirement System
- (d) Civilian service for emergency relief agencies in the 1930's under certain specified conditions
- (e) Temporary appointments which do not carry retirement coverage

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DRAFT  
LLM  
19 Mar 70

MEMORANDUM FOR:

SUBJECT: Funding of CIA Retirement Act

1. In clearing our recent amendments to the CIA Retirement Act the Bureau of the Budget requested actuarial information on the normal cost of the CIA system and asked for our proposal to fund normal cost and interest on existing unfunded liability and future unfunded liability. BOB requested that the information and proposals be forwarded when the first actuarial study of the system was completed.
2. The actuarial study has now been completed and the proposed report to BOB is attached.
3. The report shows that the estimated normal costs of benefits to members under the CIA system, expressed as a percentage of payroll, is 25X1A percent. Of the 25X1A percent, 25X1A percent is paid into the fund under current legislation. This leaves 25X1A percent as unfunded normal

4. The report proposes that the deficiency in normal cost be funded on the same basis as we propose to treat unfunded liability.